

# TrustIndiana Annual Report

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June 30, 2008

(With report of independent auditors within)



## Report of Independent Auditors

To the Treasurer of the State of Indiana

We have audited the statement of assets, liabilities and joint value of TrustIndiana (A Component Unit of the State of Indiana) as of June 30, 2008, and the related statements of operations and changes in joint value for the period February 1, 2008 (inception of fund) through June 30, 2008. These financial statements are the responsibility of the Treasurer of the State of Indiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TrustIndiana as of June 30, 2008, and the results of its operations and changes in joint value for the period then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2008, on our consideration of TrustIndiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. Management's Discussion and Analysis has not been included with the basic financial statements.

*London Witte Group, LLC*

August 11, 2008

## Portfolio of Investments

June 30, 2008

Principal Amount		Value
<b>Money Market Funds - 24.7%</b>		
\$109,734,598	Goldman Sachs Financial Square Government Fund, FST Shares, 2.41%	\$109,734,598 (a)
<b>Total Money Market Funds (market value \$109,734,598)</b>		<b>109,734,598</b>
<b>U.S. Government Agencies - 9.0%</b>		
Federal Home Loan Mortgage Corporation		
10,000,000	2.50%, maturity date 05/13/09	10,000,000
5,000,000	2.55%, maturity date 04/21/09	4,994,845
5,000,000	3.13%, maturity date 02/12/10	5,000,000 (b)
Federal Home Loan Bank		
10,000,000	2.41%, maturity date 04/23/09	10,000,000
10,000,000	2.80%, maturity date 05/06/09	10,000,000
<b>Total U.S Government Agencies (market value \$39,912,325)</b>		<b>39,994,845</b>
<b>Bank Deposits - 51.5%</b>		
60,000,000	Charter Bank 2.46%, Due On-Demand	60,000,000 (c)
92,970,061	Key Bank 2.46%, Due On-Demand	92,970,061 (c)
75,000,000	PNC Bank 2.46%, Due On-Demand	75,000,000 (d)
711,390	Wells Fargo Bank 2.15%, Due On-Demand	711,390 (e)
<b>Total Bank Deposits (market value \$228,681,451)</b>		<b>228,681,451</b>
<b>Commercial Paper - 14.6%</b>		
10,000,000	ABN-Amro 2.67%, maturity date 08/11/08	9,969,701 (f)
10,000,000	Bank of America 2.63%, maturity date 09/03/08	9,953,511 (f)
10,000,000	Ciesco LP 2.83%, maturity date 09/15/08	9,940,627 (f)
10,000,000	General Electric Capital 2.66%, maturity date 08/22/08	9,961,693 (f)
5,000,000	ING US Funding 2.81%, maturity date 07/28/08	4,989,486 (f)
10,000,000	Kitty Hawk Funding 2.62%, maturity date 08/05/08	9,974,605 (f)
10,000,000	Societe General NA 2.73%, maturity date 09/08/08	9,947,960 (f)
<b>Total Commercial Paper (market value \$64,731,210)</b>		<b>64,737,583</b>
<b>Total Investments - 99.8% (amortized cost \$443,148,477)</b>		<b>443,148,477</b>
<b>Other assets in excess of liabilities - 0.2%</b>		734,589
<b>Joint Value - 100.0%</b>		<b>\$443,883,066</b>

(a) Interest rate as of June 30, 2008. Rate is declared daily.

(b) All or part of security is on loan.

(c) Interest rate is reset weekly based on 1-month LIBOR.

(d) Interest rate is reset daily based on 1-month LIBOR

(e) Interest rate is reset daily.

(f) Represents effective yield at June 30, 2008.

The accompanying notes are an integral part of the financial statements.

# Statement of Assets, Liabilities and Joint Value

June 30, 2008

	<b>TrustIndiana</b>	<b>External Participants</b>
<b>Assets</b>		
Investments at value (amortized cost \$443,148,477)	\$443,148,477	\$190,837,834
Securities lending collateral	5,118,750	2,204,343
Interest income receivable	850,311	366,179
Securities lending income receivable	11,374	4,898
<b>Total assets</b>	<b>\$449,128,912</b>	<b>\$193,413,254</b>
<b>Liabilities and Joint Value</b>		
Securities lending collateral	\$ 5,118,750	\$ 2,204,343
Management fee payable	51,409	22,139
Distributions payable	28,532	12,287
Other payables	37,672	16,223
Securities lending payable	9,483	4,084
<b>Total liabilities</b>	<b>5,245,846</b>	<b>2,259,076</b>
<b>Joint Value</b>	<b>443,883,066</b>	<b>191,154,178</b>
<b>Total liabilities and joint value</b>	<b>\$449,128,912</b>	<b>\$193,413,254</b>

The accompanying notes are an integral part of the financial statements.

## Statement of Operations

For the Period February 1, 2008<sup>1</sup> to June 30, 2008

	<u>TrustIndiana</u>	<u>External Participants</u>
Revenues:		
Interest income	\$ 3,896,158	\$ 1,014,577
Securities lending Income	<u>15,108</u>	<u>3,934</u>
<b>Total revenues</b>	<u>3,911,266</u>	<u>1,018,511</u>
Expenses:		
Management fees	\$ 98,607	\$ 25,678
Securities lending fees	12,650	3,294
Other expenses	<u>88,225</u>	<u>22,974</u>
<b>Total expenses</b>	<u>199,482</u>	<u>51,946</u>
Net investment income	3,711,784	966,565
Net realized gain/(loss) on investments	<u>-</u>	<u>-</u>
Net increase in joint value from operations	<u>\$ 3,711,784</u>	<u>\$ 966,565</u>

<sup>1</sup> Commencement of operations.

The accompanying notes are an integral part of the financial statements.

## Statement of Changes in Joint Value

For the Period February 1, 2008<sup>1</sup> to June 30, 2008

	<u>TrustIndiana</u>	<u>External Participants</u>
Increase in joint value		
Operations:		
Net investment income	\$ 3,711,784	\$ 966,565
Net realized gain/(loss) on investments	<u>-</u>	<u>-</u>
Net increase in joint value from operations	<u>3,711,784</u>	<u>966,565</u>
Distributions to participants	<u>(3,711,784)</u>	<u>(966,565)</u>
Participants' transactions:		
Contributions	496,306,937	246,306,937
Reinvestment of distributions	3,683,252	954,364
Withdrawals	<u>(56,107,123)</u>	<u>(56,107,123)</u>
Net increase in joint value from participants' transactions	<u>443,883,066</u>	<u>191,154,178</u>
Total increase in joint value	443,883,066	191,154,178
Joint value		
Beginning of period	<u>-</u>	<u>-</u>
End of period	<u>\$443,883,066</u>	<u>\$191,154,178</u>

<sup>1</sup> Commencement of operations.

The accompanying notes are an integral part of the financial statements.

## Notes to Financial Statements

June 30, 2008

### 1. Description of TrustINDiana

TrustINDiana (the "Pool") is a local government investment pool created pursuant to IC §5-13-9-11(b) within the office and custody of the Treasurer of the State of Indiana. The purpose of the Pool is to allow local units of government (e.g., counties, municipalities, school corporations, townships, and other units of local government) as well as the State of Indiana to invest in a common pool of investment assets.

At June 30, 2008 certain Pool participants held a significant participation interest in the Pool. Investment activities of these participants could have a material impact on the Pool.

### 2. Significant Accounting Policies

The following significant accounting policies are consistently followed by the Pool in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

#### Valuation of investments

Consistent with the provisions of a 2a-7 like pool as defined by Statement No. 31 of the Governmental Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost valuation method involves initially valuing a security at its cost on the date of purchase and thereafter accreting to maturity any discount or amortizing to maturity any premium.

#### Accounting for investments

Security transactions are accounted for on the trade date. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of discount or premium, is recorded on an accrual basis.

#### Credit risk of investments

The Pool limits its investments in any one issuer to the highest rating category issued by one nationally recognized statistical rating organization.

#### Concentration risk

The Pool is required to be comprised of no less than 50% of deposits in banks from an approved list maintained by the State of Indiana. In addition, the Pool limits its investments in any one issuer to 40% of net assets if the issuer is rated A1+/P1 and 25% of net assets if the issuer is rated A1/P1.

#### Income taxes

The Pool is not subject to federal, state or local income taxes, and accordingly, no tax provision has been made. The Pool files tax returns annually.

#### Distributions to participants

Net investment income, adjusted for net realized gains or losses, is declared and distributed to participants daily. Such amounts are automatically reinvested the following business day.

#### Joint value

The joint value of the Pool is its assets less its liabilities. The joint value represents the value of the beneficial interests of the Participants in the Pool.

**Notes to Financial Statements** continued

June 30, 2008

**Securities Lending**

The Pool has entered into a securities lending agreement, as authorized by state statute and the policies of the Pool, with Bank of New York Mellon ("BNY Mellon"), its custodian. BNY Mellon may loan the Pool's securities to brokers, dealers and financial institutions determined by them to be creditworthy and approved by the Indiana Treasurer of State. The Pool continues to receive the interest on the loaned securities during the term of the loan. The loans can be terminated on demand by either the Pool or the borrower. The loans of securities are collateralized in the form of cash in an amount at least equal to 102% of the current market value of the loaned securities. The cash collateral is reinvested by BNY Mellon and the net income earned on the reinvestment, less the borrower's rebate and a fee to BNY Mellon, is recorded as additional income to the Pool. BNY Mellon also provides an indemnity to protect the Pool in the event the borrower fails to return the securities and if the collateral is inadequate to replace the securities lent.

**3. Management**

The Indiana Treasurer of State has been designated by statute as the administrator of the Pool and the Deputy Treasurer of State and Portfolio Manager (the "Investment Officer") shall have general oversight over the daily operation of the Pool. The Investment Officer shall also supervise the investment of the funds in the Pool that are not designated to be invested by an investment advisor and shall oversee the functions of such investment advisor, all in accordance with the policies of the Pool and Indiana Law.

The Indiana Treasurer of State has contracted with MBIA Municipal Investors Service Corporation ("MBIA-MISC") to provide the administration, and certain portfolio management and marketing services for the program not retained by the Treasurer's office. MBIA-MISC is entitled to a fee payable monthly based on the amortized cost valuation of the portion of the portfolio that it has been contracted to advise (the "MBIA-MISC portion"). The fee is calculated at an annual rate of 0.12% of the daily value of the MBIA-MISC portion up to \$1,000,000,000; 0.11% on the next \$500,000,000; 0.10% on the next \$500,000,000; and 0.09% over \$2,000,000,000. For the period February 1, 2008 (commencement of operations) to June 30, 2008, MBIA-MISC earned fees equal to \$98,607.

The other administrative expenses of the Pool shall be accounted for by the Treasurer and shall be paid from the earnings of the Pool.

**4. Contingencies and Commitments**

In the course of business, the Pool enters into contracts that contain representations and warranties and which provide general indemnifications. The Pool's exposure, if any, under these arrangements is unknown, as this would involve future claims that may be made against the Pool that have not yet occurred. To date, no claims have been brought against the Pool for any of these provisions. Based on experience, the Pool expects the risk of liability to be remote.



## Selected Data per Dollar of Joint Value and Ratios

Selected data per dollar of joint value and ratios for the period presented is as follows:

Data per dollar of joint value<sup>1</sup>:

	<b>For the Period February 1, 2008<sup>2</sup> to June 30, 2008</b>
Net investment income and net realized gain/(loss) on investments	<u>\$0.011</u>
Distributions to participants	<u>\$(0.011)</u>
Total Return <sup>3</sup> :	1.09%
Ratios/Supplemental data:	
Joint value, end of period (000's)	\$443,883
Ratios to average joint value:	
Net investment income <sup>4</sup>	2.58%
Expenses <sup>4</sup>	0.13%

<sup>1</sup> Calculated based upon average joint value during the period.

<sup>2</sup> Commencement of operations.

<sup>3</sup> Total returns for periods less than one year are not annualized.

<sup>4</sup> Annualized.

**Richard Mourdock**  
 Indiana Treasurer of State  
 242 State House  
 200 West Washington St.  
 Indianapolis, IN 46204

## TrustIndiana Advisory Committee

**Kathy Friend**  
 Chief Financial Officer  
 Fort Wayne Community Schools

**Michael Griffin**  
 Clerk/Treasurer  
 Highland

**Retha Hicks**  
 Clerk/Treasurer  
 Winona Lake

**Dave Holt**  
 Business Manager  
 Warren Township Schools

**Bob Lee**  
 Treasurer  
 Allen County

**Tammy McEwan**  
 Treasurer  
 Jasper County

**Judy Rhodes**  
 Clerk/Treasurer  
 West-Lafayette City

**Amy Roberts**  
 Clerk-Treasurer  
 Town of Danville

**Steve Sontag**  
 Director of Business  
 Clark-Pleasant Community Schools

**Joe Wray**  
 Treasurer  
 Brown County

## Management

**Administrator:** Indiana Treasurer of State and MBIA Asset Management

**Investment Advisor:** Indiana Treasurer of State and MBIA Asset Management

**Custodian:** Bank of New York/Mellon

## Professional Services

**Independent Auditors:** London Witte Group, LLC